



at the dawn of the seventies

ANNUAL REPORT 1970

FACTS IN BRIEF

1970

1969

NET SALES	54,900,000	65,100,000
NET INCOME	1,350,000	2,306,000
SHAREHOLDERS' EQUITY	22,770,000	22,614,000
WORKING CAPITAL	6,592,000	8,483,000
NEW INVESTMENT IN PLANT AND EQUIPMENT	3,626,000	2,811,000
DEPRECIATION	1,984,000	1,790,000
NET INCOME PER SHARE	.50	.85
ANNUAL DIVIDEND RATE PER SHARE	.44	.44
EQUITY PER SHARE	8.39	8.34



HAYES-DANA LIMITED
THOROLD, ONTARIO

TO OUR SHAREHOLDERS:

Sales for the first six months of our fiscal year were \$29,408,000, resulting in a net income of \$859,000 or 32¢ per share.

Net income was \$1,329,000 or 49¢ per share for the corresponding period last year, which included an extra month due to the change in our fiscal year.

We enclose our cheque in payment of Dividend No. 50, declared by the Board of Directors in the amount of 11¢ per share payable March 31, 1970, to shareholders of record March 20, 1970.

As a result of reductions in inventories and production programs in our customers' plants, the demand for our product lines has been weaker than normal for the months of January and February, 1970. This accounts for the decrease in earnings compared to last year.

We are currently forecasting sales on the basis that the business decline which we have been experiencing has apparently levelled off and this should result in an increase in volume.

Effective December 1, 1969, Hayes-Dana Limited has been decentralized into five operating divisions.

These divisions - the Drive Train Division, the Frame Division, the PC/Victor Division, the Nasco Division, and the Special Services Division, acting autonomously within their own established objectives, guided only by overall corporate guidelines - will ensure maximum flexibility in response to change.

More important, this divisionalization will result in the development of sufficient management people to sustain our aggressive growth plans.

Borge Reimer
Executive Vice-President
and General Manager

March 31, 1970



HAYES-DANA LIMITED

AND SUBSIDIARY COMPANIES



REPORT

FOR THE SIX MONTHS
ENDING FEBRUARY 28, 1970

HAYES-DANA LIMITED

AR14

COMPARATIVE RESULTS

(UNAUDITED)

REPORTING PERIOD ENDED FEB. 28

SIX MONTHS
1970

SEVEN MONTHS
1969

Sales..... **\$29,408,000**

\$35,181,000

Costs and
Expenses..... **27,609,000**

32,394,000

Income from
Operations..... **1,799,000**

2,787,000

Taxes on
Income..... **940,000**

1,458,000

Net Income..... **859,000**

1,329,000

Per Share..... **32 cents**

49 cents

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

(UNAUDITED)

SIX MONTHS
ENDED FEB. 28
1970

SEVEN MONTHS
ENDED FEB. 28
1969

SOURCE OF FUNDS

Net income for reporting period	\$ 859,000	\$1,329,000
Charges not requiring a cash outlay		
Depreciation	775,000	740,000
Deferred expenses	169,000	198,000
Deferred income taxes	200,000	485,000
Funds from operations	2,003,000	2,752,000
Decrease in other assets	—	115,000
	\$2,003,000	\$2,867,000

USE OF FUNDS

Cash dividends	\$ 597,000	\$ 696,000
Instalment of 6% secured debenture	500,000	500,000
Additions to plant and equipment (net)	1,686,000	914,000
Increase in other assets	26,000	—
	\$2,809,000	\$2,110,000
Increase (decrease) in working capital	\$ (806,000)	\$ 757,000

LETTER TO SHAREHOLDERS

October 15, 1970

Sales for the 1970 fiscal year total \$54,900,000, a decrease of 16% over the 13 month fiscal period last year. Net income for the year was \$1,350,000, or 50¢ per share, a decrease of 41% over net income of \$2,306,000 or 85¢ reported last year.

A combination of factors contributed to our lower activity. The general economic uncertainty significantly affected North American automobile and truck production and lessened the demand for our products. Strikes at some of our customers' plants further reduced our sales. Following the "depegging" of the Canadian dollar, our net revenue from export sales paid in U.S. dollars was reduced.

During the year, strikes in our suppliers' plants in Canada forced us to import steel for use at substantially higher costs. We also absorbed the cost of phasing out unprofitable product lines in one of our subsidiaries.

These extraordinary items, coupled with the rapidly rising costs of labour, materials, services and taxes inherent in an inflationary economy, substantially account for the drop in our net income.

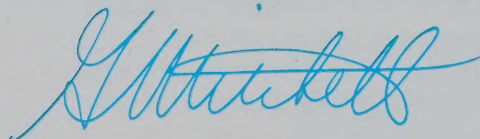
During the year, we completed the divisionalization of our company which will strengthen and improve the effectiveness of our management team. We spent \$1,000,000 to balance our frame production facilities and thereby increase our potential capacity. A further \$2,600,000 was spent in our other divisions to update equipment in order to improve our overall efficiency as a part of our cost improvement program and to provide the capacity needed to fill the demands of our rapidly expanding North American and foreign markets.

Currently, our revenue continues to be adversely affected by the high exchange rate of the "unpegged" dollar and the strike in the automotive industry. For this reason, it is difficult at this time to predict what final impact these factors will have on our overall operation in 1971.

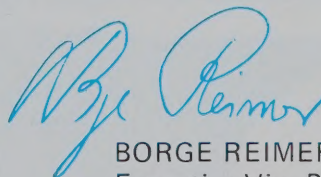
Despite this short term outlook, long term forecasts for the transportation industry indicate significant growth, particularly in the truck sector where we have a special interest. Our planning reflects the confidence we have in our ability to obtain an increasing share of this potential.

We appreciate the outstanding efforts and cooperation of all our people and the continued support of our customers, our suppliers and our shareholders.

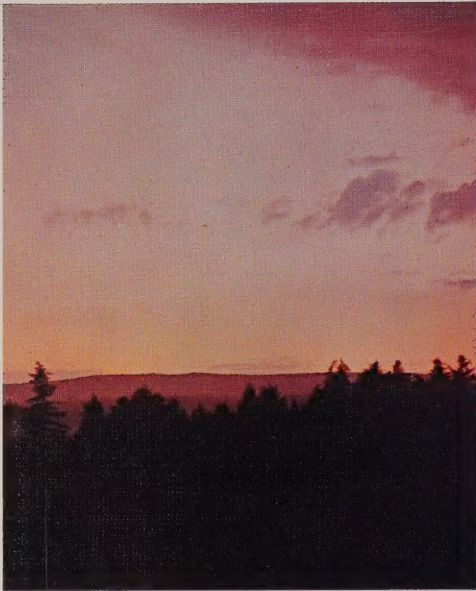
Respectfully submitted
On behalf of the Board of Directors



G. B. MITCHELL
Chairman of the Board
and President



BORGE REIMER
Executive Vice President
and General Manager



The dawn of the Seventies has brought tremendous changes to our total environment.

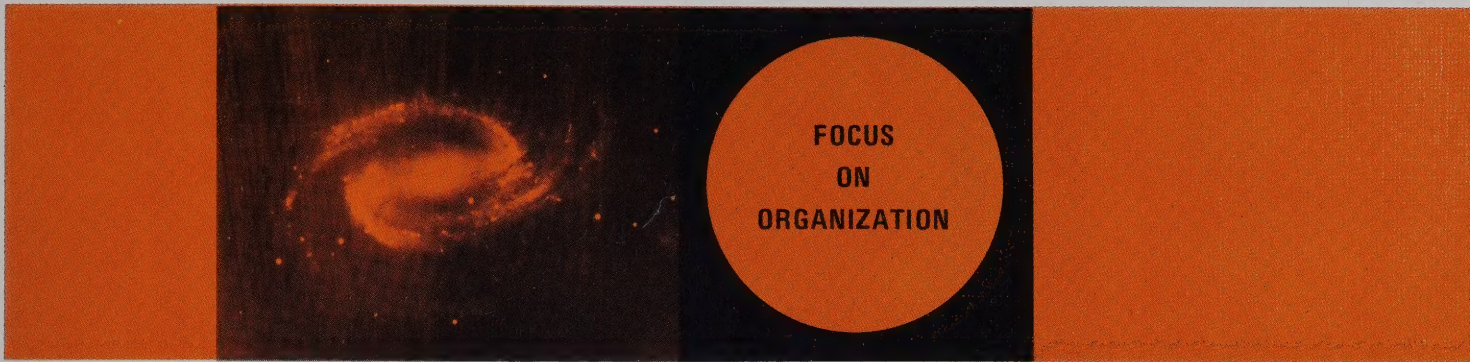
To keep pace with these new emerging needs of man, an organization must constantly appraise its own role within society, recognizing new responsibilities, new problems and fresh opportunities.

By more closely identifying the personal objectives of our people with the corporate objectives, we are providing greater job enrichment and an atmosphere that will enhance our growth potential. By increasing the involvement of our people in areas of responsibility, we are making possible the more rapid development of their managerial skills which is so vital for the support of our ambitious objectives.

By creating autonomous divisions within our company this year, we have recognized simplicity as being the key to organizational sophistication. Guided only by overall corporate policies, they are determining their own destiny in their long range planning. As autonomous divisions they have become even more conscious of their total responsibility for maximum growth.

In bringing the decision making process closer to the action level, we have been able to set sales and profit growth targets for our company surpassing anything we have enjoyed in the last decade.

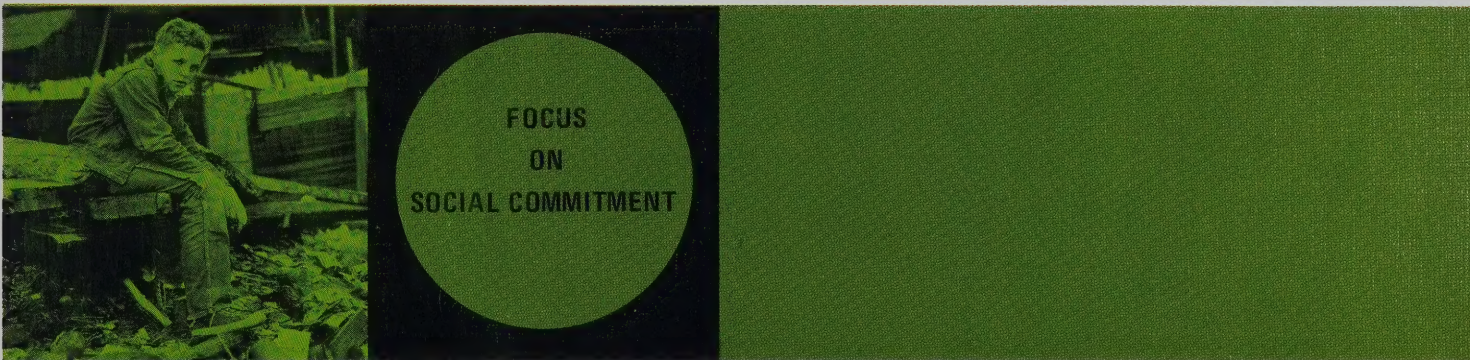
How our people are already responding to this challenge of the Seventies is one purpose of this report.



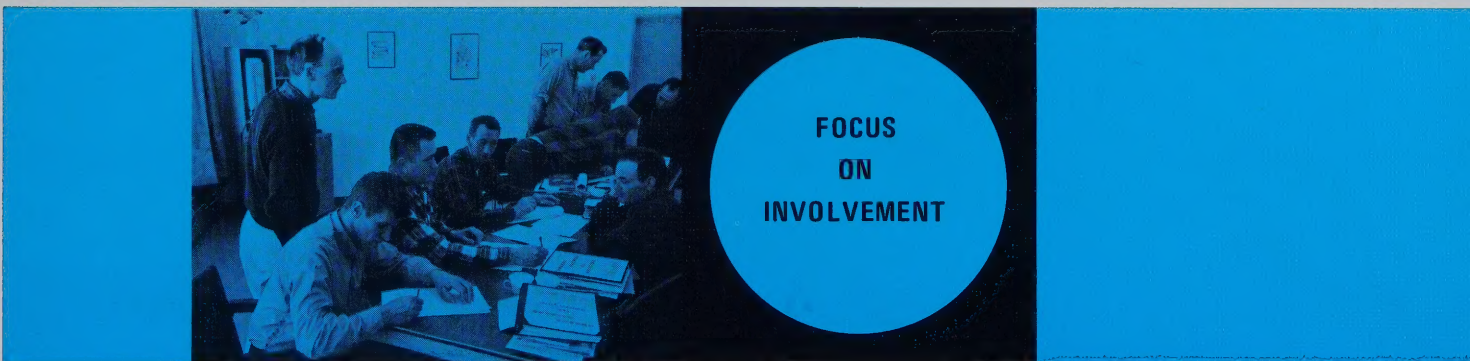
**FOCUS
ON
ORGANIZATION**



**FOCUS
ON
JOB ENRICHMENT**



**FOCUS
ON
SOCIAL COMMITMENT**



**FOCUS
ON
INVOLVEMENT**



**FOCUS
ON
GROWTH**



A NEW STRUCTURE FOR THE SEVENTIES.

We believe the basic purpose of Hayes-Dana is the constant increase of its earnings per share. To accomplish this in the more fluid business climate of the Seventies, will mean that we will have to act and react at an accelerating rate to ensure that changing economic and market conditions are dealt with to our benefit.

In recognition of this concept, during the past year sweeping changes have been put into effect throughout the entire company, with the implementation of divisionalization.

Responsibility for each division now rests with the division manager. Decision making now takes place closer to the action.

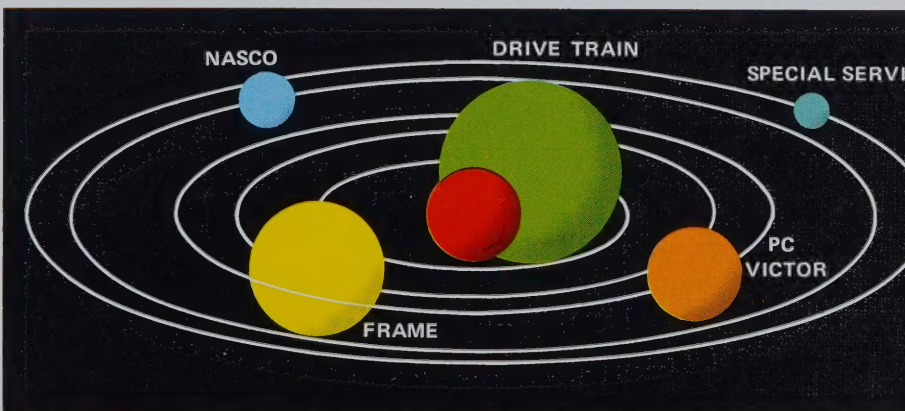
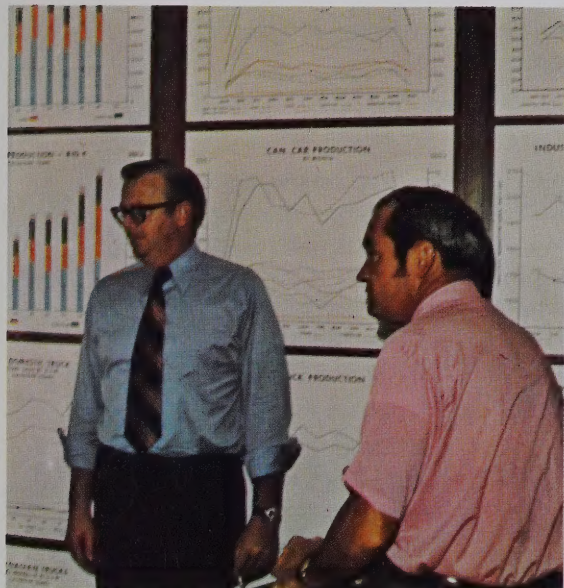
In this manner the division can operate with the enthusiasm and entrepreneurship that is characteristic of the smaller group and yet still have at its disposal, the highly specialized services that the corporate office provides as a small flexible common resource centre.

It is with this simplicity that we propose to deal with the sophistication of the Seventies.

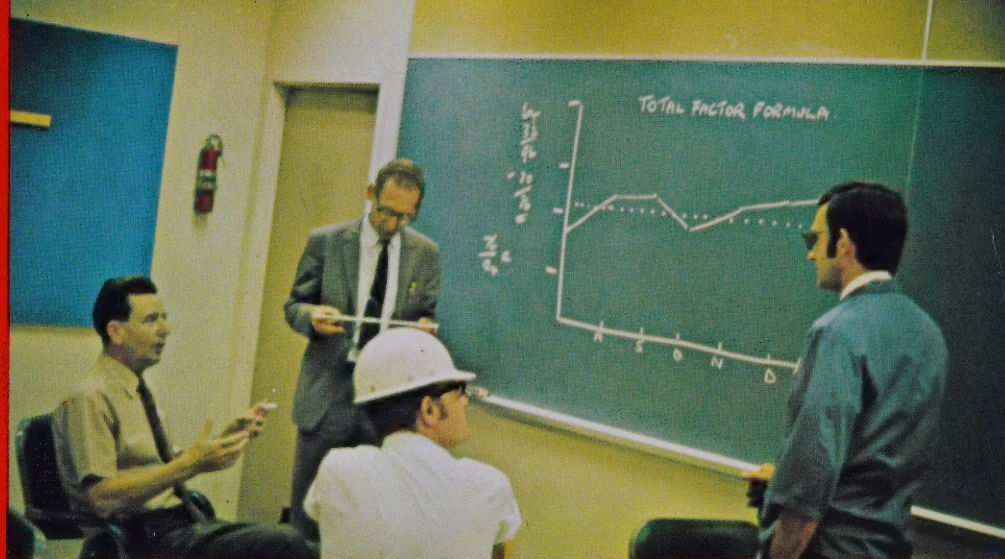
Top, right: A customer's special requirement demands flexibility and fast action. Handling a customer's problem in the Drive Train Division are left to right, Linda Chapman, Walt Baum and Tom Jackson.

Bottom, left: Jack Murray, Vice-President - Finance, and Bob Mossberger, Nasco Division Manager, review economic and industry performance, trends and forecasts, in the Corporate Information Centre.

Bottom, right: Division meetings, such as this one at Perfect Circle-Victor, involve all departments and bring the initiative and enthusiasm of individuals together to set objectives and the means for accomplishing them. Clockwise from the left are, Frank Wood, Art Smith, Jim McGill - Division Manager, Fred Lesieur, Bill Robinson, Bernie Stankevich, Gary Hill.



Today our company can best be depicted as a simple solar system with each division orbiting within the corporate sphere.



JOB ENRICHMENT

A NEED OF THE SEVENTIES.

Hayes-Dana is firmly committed to the dignity of the individual and is constantly seeking to improve that working environment within which each employee can find personal challenge and satisfaction. In this atmosphere the individual can develop his full potential and make his maximum contribution to the growth of the company.

As a part of this on-going program, task groups cut across organizational lines bringing together employees of diverse work backgrounds to solve problems and explore opportunities not found in their normal routine.

This practical broad training in such areas as manufacturing, sales and finance is rapidly increasing our pool of managerial skills and our new organizational flexibility will enable these skills to be used in meeting the needs of the Seventies.



Above, left: Dave Thomas of the Drive Train Division, receives guidance in connection with a production process from Mario Iseppon.

Above, right: This typical task group has members from two divisions and corporate staff. Involved in a study on productivity are, left to right, Peter Capps, Bill Boot, John Bigger, Bill Piggins.



A RESPONSIBILITY OF THE SEVENTIES.

Our people and our Company recognize and accept responsibilities wider than personal development and the growth of Hayes-Dana.

Today's complex and rapidly changing society has needs that can best be met by selfless service and leadership from individuals and business organizations.

Our company and our people are active in all forms of community service. We are particularly aware of the urgency of communicating to our younger generation, the vital role that free enterprise plays in our democratic society.

In assuming this leadership, our people not only serve the community but gain invaluable experience that further increases their personal effectiveness in the company.

Education, pollution abatement and community service are but a part of the total social commitment that we and our people accept as our responsibility for the Seventies.

Left: Vic Hoskins and Dick Young check the recently installed water reclamation unit at our Perfect Circle-Victor Division. Sophisticated equipment such as this reflects the positive concern Hayes-Dana is exercising in all phases of pollution control.

Right: "Interface", a unique educational program, is sponsored by Hayes-Dana and Niagara Community College. Its purpose is to bridge the "communications gap" between industry and young people. Here a group of students engage in dialogue with Bud McLaughlin, Manager, Industrial Relations, and Peter Capps, Manager, Corporate Planning.





OPPORTUNITIES OF THE SEVENTIES.

One of the several benefits of divisionalization now being realized is the opportunity to involve more people in decision making.

We actively encourage our managers to diffuse the decision making down through his division as far as practical, to shorten the gap between decision and action.

The application of this simple philosophy opens a clear channel for effective two-way communication. It defines responsibilities for planning and accomplishment and sets the stage for management by objective.

As a result, corporate objectives have now become personal to our individual employees. They helped create them, they are now fully committed to their achievement.

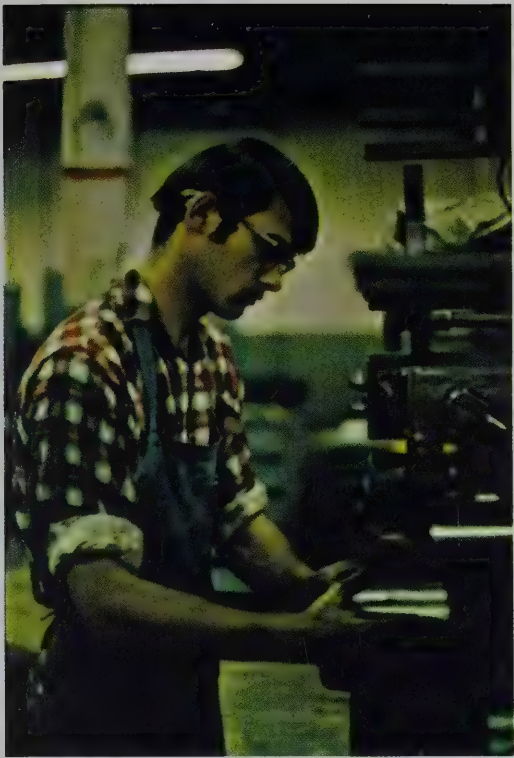
Against this background we have confidently planned for the Seventies.

Top, left: Jack Siemens, Perfect Circle-Victor Division.

Top, right: Jim Mathews, left, and Gib Badgley, Special Services Division.

Bottom, right: Bob Kwiatkowski and Rick Swiderski, Frame Division.

Bottom, left: John Sarkany with Kaz Yoshimochi at the Nasco Division.





THE CHALLENGE OF THE SEVENTIES.

The organizational changes we have described and the enthusiasm with which our people are meeting the challenges, opportunities, and responsibilities we have given them, provides the base from which we will grow in the Seventies.

Already we are involved in researching and testing new products and processes that are radically different from our current product mix.

Our trading areas have rapidly expanded. From our original domestic market, we now serve the North American Continent and Europe and are starting to export to South America. We plan to broaden our penetration in Europe and seek markets for our products in the Southern Hemisphere.

Organizational simplicity, people involvement, job enrichment and corporate responsibility are our keys to growth in the Seventies. These are the tools which we will use to double our sales by the middle of the decade.

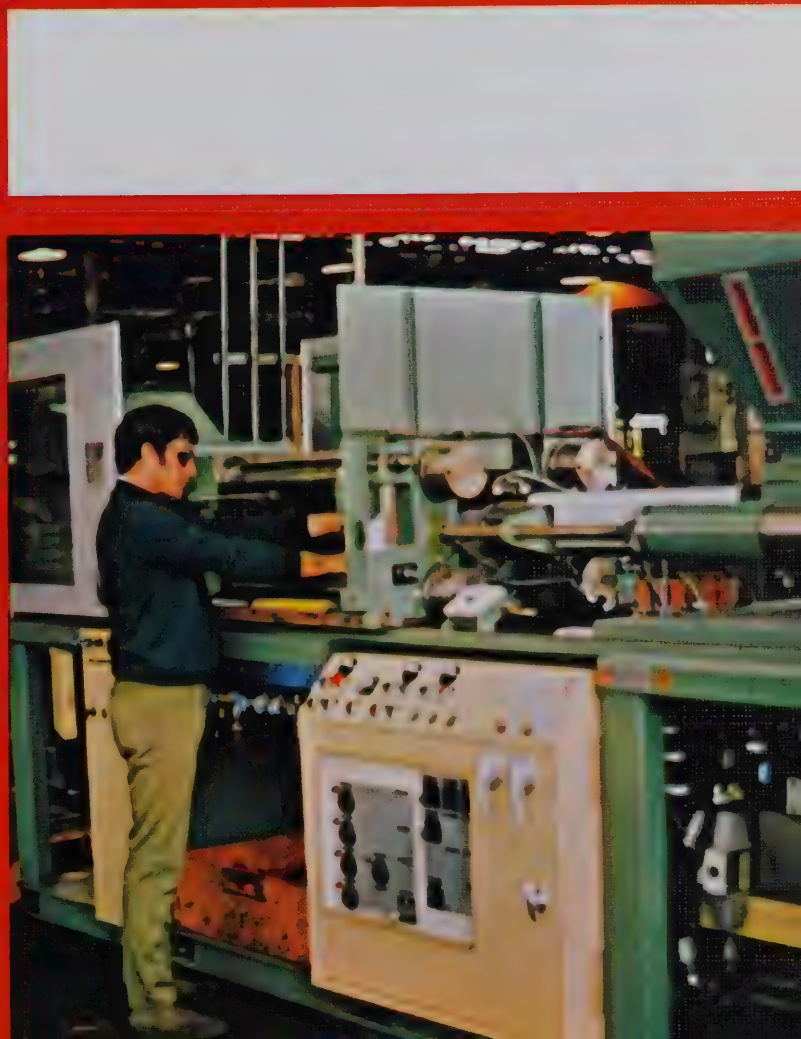


Photos, top: Hans Schafer and Eric Sandle, Frame Division, assembling a prototype robot which is being designed and built as a part of our product research and development program.

Centre: This robot in the Drive Train Division, is typical of the constant updating of our manufacturing facilities. Checking its operation is Norm Baird.

Bottom, left: A trainload of automotive frames leaving the recently expanded Frame Division.

Bottom, right: Julian Booth, Drive Train Division, producing plastic end shields for agricultural drive shafts on our new injection molding machine.



CONSOLIDATED BALANCE SHEET

ASSETS	AUGUST 31 1970	AUGUST 31 1969
CURRENT ASSETS:		
Cash	\$ 164,000	\$ 135,000
Accounts receivable, less allowance for doubtful accounts	5,416,000	6,116,000
Due from Dana Corporation	129,000	(416,000)
Inventories, at lower of cost or net realizable value	15,262,000	14,049,000
Prepaid expenses	164,000	218,000
	21,135,000	20,102,000
FIXED ASSETS, at cost:		
Land	524,000	524,000
Buildings	8,085,000	7,386,000
Machinery and equipment	24,129,000	21,723,000
	32,738,000	29,633,000
Less — Accumulated depreciation	11,539,000	10,038,000
	21,199,000	19,595,000
OTHER ASSETS:		
Investment in and advances to 50% owned company, at equity	143,000	100,000
Other investments, atcost	283,000	283,000
Unamortized deferred expenses	58,000	337,000
	484,000	720,000
APPROVED ON BEHALF OF THE BOARD:		
G. B. MITCHELL, Director		
BORGE REIMER, Director	\$42,818,000	\$40,417,000

LIABILITIES AND SHAREHOLDERS' EQUITY	AUGUST 31 1970	AUGUST 31 1969
CURRENT LIABILITIES:		
Bank advances	\$ 7,237,000	\$ 4,726,000
Accounts payable and accrued liabilities	4,450,000	3,629,000
Income taxes payable	1,558,000	1,966,000
Current portion of long-term debt	1,000,000	1,000,000
Dividend payable	298,000	298,000
	14,543,000	11,619,000
LONG-TERM DEBT:		
6% secured debenture repayable in semi-annual instalments of \$500,000	1,000,000	2,000,000
DEFERRED INCOME TAXES	4,505,000	4,184,000
	20,048,000	17,803,000
SHAREHOLDERS' EQUITY:		
Capital stock without nominal or par value—		
Authorized - 4,000,000 shares		
Issued - 2,712,965 shares	8,979,000	8,979,000
Retained earnings	13,791,000	13,635,000
	22,770,000	22,614,000
	\$42,818,000	\$40,417,000

AUDITORS' REPORT TO THE SHAREHOLDERS OF HAYES-DANA LIMITED:

We have examined the consolidated balance sheet of Hayes-Dana Limited and its subsidiaries as at August 31, 1970 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Hamilton,
September 30, 1970

PRICE WATERHOUSE & CO.
Chartered Accountants

HAYES-DANA LIMITED

AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS**

	12 MONTHS ENDED AUGUST 31 1970	13 MONTHS ENDED AUGUST 31 1969
Sales	\$54,945,000	\$65,095,000
Dividends, interest and other income (net)	137,000	190,000
	55,082,000	65,285,000
Costs and expenses (including depreciation of \$1,984,000 in 1970 and \$1,790,000 in 1969):		
Cost of sales	48,340,000	56,580,000
Selling, general and administrative expenses	2,830,000	3,313,000
Interest on long-term debt	153,000	232,000
Bank interest	484,000	274,000
	51,807,000	60,399,000
Income before income taxes	3,275,000	4,886,000
Income taxes:		
Current	1,604,000	1,980,000
Deferred	321,000	600,000
	1,925,000	2,580,000
Net income	1,350,000	2,306,000
Dividends declared	1,194,000	1,592,000
Earnings retained in business	156,000	714,000
Retained earnings:		
Beginning of period	13,635,000	12,921,000
End of period	\$13,791,000	\$13,635,000
Net income per share	50 ¢	85 ¢
Dividends paid per share	44 ¢	47.7 ¢
Annual dividend rate per share	44 ¢	44 ¢

HAYES-DANA LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	12 MONTHS ENDED AUGUST 31 1970	13 MONTHS ENDED AUGUST 31 1969
Source of funds:		
Net income	\$1,350,000	\$2,306,000
Charges not requiring a cash outlay—		
Amortization of deferred expenses	337,000	338,000
Depreciation	1,984,000	1,790,000
Deferred income taxes	321,000	600,000
Funds from operations	3,992,000	5,034,000
Use of funds:		
Additions to plant and equipment (net)	3,588,000	2,627,000
Dividends	1,194,000	1,592,000
Increase in other assets, before amortization of deferred expenses	101,000	10,000
Reduction of long-term debt	1,000,000	1,000,000
	5,883,000	5,229,000
Decrease in working capital	\$1,891,000	\$ 195,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION AND YEAR-END: The consolidated financial statements include the accounts of Hayes-Dana Limited and its subsidiary companies, all of which are wholly-owned.

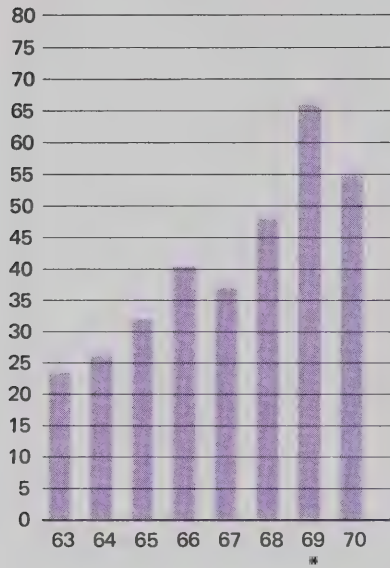
The 1969 comparative figures cover the thirteen month period from August 1, 1968 to August 31, 1969, as a result of the 1969 change in the fiscal year end from July 31 to August 31.

2. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS: The remuneration of directors and senior officers was \$214,000 for the year ended August 31, 1970 (13 months 1969 - \$239,000), of this amount \$87,000 (1969 - \$80,000) was received by directors.

3. PENSION PLANS: Pension plan expenses for the year amounted to \$875,000 (13 months 1969 - \$765,000). There is an unfunded past service liability estimated at \$3,800,000 which is being amortized over not more than twenty years.

NET SALES

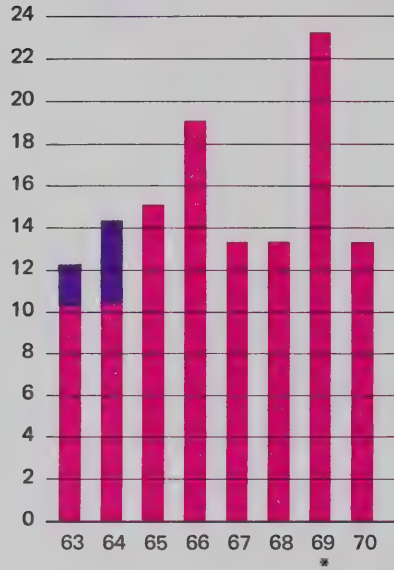
IN MILLIONS



NET INCOME

IN HUNDRED THOUSANDS

■ OPERATING
■ SPECIAL



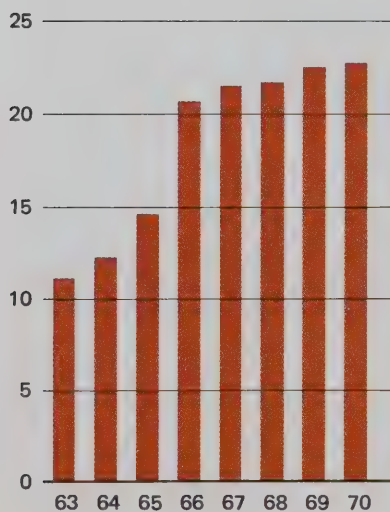
NET INCOME

PER SHARE



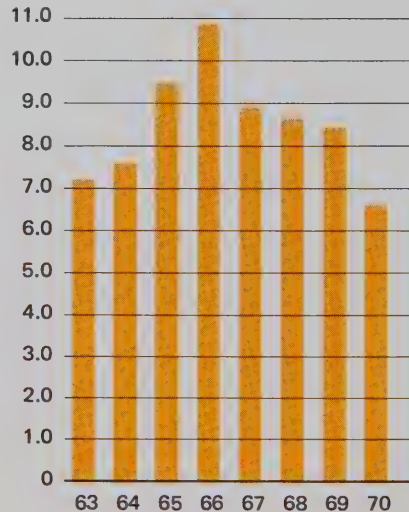
SHAREHOLDERS' EQUITY

IN MILLIONS



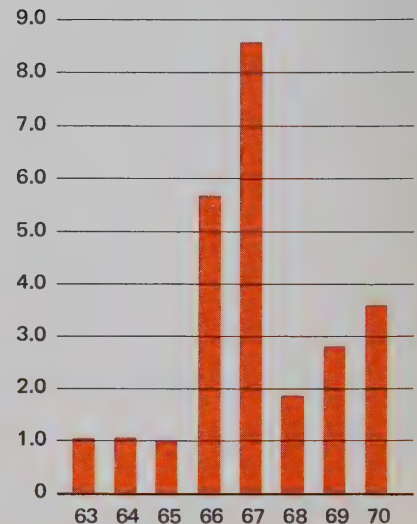
WORKING CAPITAL

IN MILLIONS



NEW INVESTMENT

IN PLANT AND EQUIPMENT
IN MILLIONS



HAYES-DANA LIMITED

DIRECTORS

- H. B. BARTLETT - Reading, Penna.
*Vice-President - Dana Corporation and
President - Parish Divisions, Dana Corporation*
- H. J. CARMICHAEL - Toronto, Ontario
Industrialist
- A. G. COULTER - Oshawa, Ontario
Industrialist
- W. M. FAIRHURST - Toledo, Ohio
Vice-President - Corporate Planning - Dana Corporation
- J. E. MARTIN - Toledo, Ohio
Chairman of the Board - Dana Corporation
- G. B. MITCHELL - Toledo, Ohio
Executive Vice President - Dana Corporation
- S. T. PATON - Toronto, Ontario
Executive Vice-President - Toronto-Dominion Bank
- B. R. REIMER - St. Catharines, Ontario
Executive Vice President and General Manager - Hayes-Dana Limited
- J. D. STEVENSON, Q.C. - Toronto, Ontario
*Partner - Wahn, Mayer, Smith, Creber, Lyons,
Torrance & Stevenson*
- D. G. WILLMOT - Toronto, Ontario
President - Molson Industries Limited

OFFICERS

- G. B. MITCHELL
Chairman of the Board and President
- B. R. REIMER
Executive Vice-President and General Manager
- W. S. THOMPSON
Vice-President - Administration, and Secretary
- J. J. MURRAY
Vice-President - Finance, and Treasurer
- H. E. LANGFORD
Vice-President - Drive Train Division
- L. H. DENSMORE
Assistant Secretary-Treasurer
- E. J. SHULTZ
Assistant Treasurer
- N. R. KOSTECKI
Controller
- MISS M. MOSS
Assistant Secretary



HAYES-DANA LIMITED
THOROLD, ONTARIO

DRIVE TRAIN DIVISION
ST. CATHARINES – THOROLD

- Universal joints and complete drive shaft assemblies, axle shafts, clutches, industrial drive shafts, agricultural prop shafts, gear boxes and slip clutches.
Forged - propeller shaft components, companion flanges, pinions, side and ring gears.

FRAME DIVISION
THOROLD

- Automotive Frames.

HAYES-DANA SERVICE PARTS LIMITED
VANCOUVER – EDMONTON – WINNIPEG

- Distribution of proprietary products for the automotive parts replacement after-market.

NASCO DIVISION
STONEY CREEK

- Remanufactured generators, starters, voltage regulators, solenoid switches, starter drives, water pumps, fuel pumps, clutches.

PERFECT CIRCLE/VICTOR DIVISION
ST. THOMAS

- Piston rings, gaskets, oil seals, packings.

SPECIAL SERVICES DIVISION
OSHAWA – OAKVILLE

- Motor vehicle preparation and installation of special custom equipment for O.E.M. manufacturers, etc.



HAYES-DANA LIMITED

ANNOUNCEMENTS

At the Board of Directors meeting following the Annual general meeting, Mr. Borge Reimer was appointed President of Hayes-Dana Ltd. Mr. G. B. Mitchell continues as Chairman of the Board.

The Directors also declared a quarterly dividend of 11¢ per share, payable December 31, 1970, to shareholders of record at the close of business December 18.



HAYES-DANA LIMITED

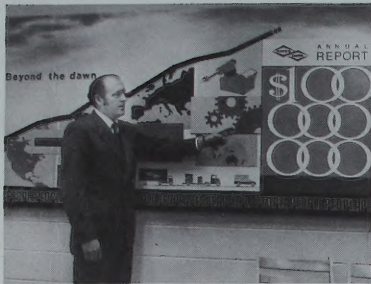
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REPORT OF ANNUAL MEETING

THOROLD, ONTARIO, NOVEMBER 4, 1970





In addressing the shareholders, Mr. G. B. Mitchell, Chairman of the Board, dealt with the financial results the company had experienced in the year ended August 31, 1970.

"The financial results for the year were disappointing although they are explainable. On the other hand, we are not disappointed with the management of the Company. In fact, we think that Mr. Reimer, our Executive Vice-President, and his people have done a very superior job in a most difficult year.

Some of the problems they had were significant.

Coupled with the slow-down in the economy that affected the truck and car market was an extended strike at one of our customer's assembly plants which reduced the production of our Frame Division by some 60,000 units.

The Canadian steel strike had a major impact on us. The substantial cost penalty involved in importing U.S. steel was further increased by the necessity to adjust tools and dies to suit the new source and a doubling of this cost when we reverted to Canadian steel.

Finally, near the year end, there was the loss of income associated with the freeing of the Canadian dollar.

In our opinion, Mr. Reimer and his people have handled all these problems in a most professional manner. In view of this and in the belief we should have a resident Canadian as President, it will be my pleasure to recommend to the Board that they accept my resignation as President and appoint Mr. Reimer as President of Hayes-Dana.

The new fiscal year that we are now in is practically impossible to forecast.

The truck and car market continues to be down and it is further complicated by the current strike in the industry. The unpegged dollar, in our opinion, will also be with us for most of this year. These problems will be handled by your management but they make forecasting difficult.

As Chairman of the Board, I wish to particularly mention the considerable assistance that the Directors have extended to your management this year, and we would like to thank them for all the help they have given us.

I would now like Mr. Reimer to talk to you about the longer range future of your company."



Mr. Borge Reimer, Executive Vice-President, Hayes-Dana Limited.

First of all, I would like to thank Mr. Mitchell for his remarks on our operation in the 1970 fiscal year. If I may, I would like to consider his proposed recommendation to the Board as being not only

a mark of confidence in your management, but also a tribute to all of our people who have put out a tremendous effort in a very difficult year. I can certainly assure our shareholders that the same effort will be exerted in 1971, the prospects for which Mr. Mitchell has already dealt with in his remarks.

In looking back for a moment into the Sixties, we can see that era as one of turbulent change involving fluctuations in the economic climate, the advent of the U.S./Canadian Automotive Trade Agreement, and the reduction in tariff rates under GATT, to mention but a few. These events brought into being a complete realignment, not only of our corporate philosophies and objectives but also of our entire operation.

We reoriented our marketing approach, widening our horizons to the North American market and to world markets from the former narrow approach to our small, sheltered, domestic market.

Our product line range was reviewed and as a result, we eliminated all those that were marginally profitable and concentrated solely on those where we could emphasize our skills in designing, testing and manufacturing.

It was our aim to establish Hayes-Dana as a primary supplier to the North American truck, car and agricultural industry instead of continuing in our past role as a secondary supplier serving only the Canadian market. Major investments were made in plant and equipment to ensure that our production lines would be competitive in our new and expanded market. It was also part of our corporate planning strategy that the realignment process be accomplished without a drop in sales volume.

The results of these actions speak for themselves.

In 1960, we had sales of \$11,000,000; in 1969 we had reached a sales volume of \$65,000,000. In the same period, over \$23,000,000 was invested in new plant and equipment, a sum equivalent to our current shareholders' equity of \$23,000,000 which has grown from the \$8,000,000 it represented in 1960.

Our growth was so rapid, however, and the changes so many that at no time were we able to fully stabilize and exploit the sound base we were building.

The Sixties are gone, but the far-reaching benefits of the program we carried out then remain to be gathered at the "Dawn of the Seventies".

Mr. Mitchell has referred to fiscal 1970 and 1971, the true "dawn" years, but it is to the year 1972 and beyond to which I would now like to refer.

Hayes-Dana has matured and come of age. We are now the largest independent automotive parts manufacturer in Canada. The develop-

ment of our organizational skills has led us to divisionalization, a major step completed this year. These autonomous divisions staffed with seasoned, loyal and capable people are equipped to deal with the major opportunities that lie ahead.

We have confidently assumed our place in the total North American market and are reaching out beyond. The illustrated sales chart at the end wall depicts the new areas of business we are engaging in. In 1971, we will be exporting 50% of our products into the U.S., Mexico, South America and Europe.

This marketing achievement is largely the result of our deliberate capital expenditure program over the last five years, during which time we spent approximately \$22,000,000 for a new Frame Plant, a new agricultural product line, a new heavy duty truck prop shaft line, and a constant updating and expansion of our facilities.

In our Frame Division, the original contract for the production of an intermediate sized frame expired in 1971, and we have now successfully negotiated a new contract which, together with other business we are presently pursuing, virtually assures us of significant growth in that Division for the next five years.

Our confidence in our agricultural products line has been more than justified. Despite a downturn in agricultural farm equipment sales of 23% in the first half of 1970, our shipments in September were at an all time high, and November is forecasted at an even higher rate. This reflects our increased penetration into this market.

The truck market, particularly the heavy duty segment, is of special importance to us. Despite a temporary slowdown, the truck market has tremendous built-in potential. We are now forecasting that the current downturn will reverse itself either late spring or early summer next year, and the long term projection for trucks in use in North America is for an increase from approximately 19,000,000 units in 1970 to nearly 30,000,000 units by 1980, with heavy trucks enjoying the faster growth rate. This is the market we planned for when we expanded our capacity in our heavy duty joint line. We are now ready to take advantage of the major demand for these products that will occur in the Seventies.

As a result of our expansion in the capacity of our axle shaft facilities, we are now one of the largest independent axle shaft manufacturers in North America and currently ship to the United States, Mexico, and Europe and are starting our penetration into South America.

Our new product search has been accelerated. We are currently building a prototype robot that will enable us to enter into yet another new market. This project is unique, and as a result we have submitted an application to the Canadian Government for financial support under their program for advanced industrial technology.

Our plastics operation, still relatively small, is giving us an insight into this fascinating and fast growing market, as we intended that it should.

We are researching and planning for the needs and demands of tomorrow, leapfrogging into the future to anticipate the changing markets that our young people with their different values will create and the new technologies that will surely accompany them.

These then are but a few of the factors which give us confidence in all our Divisions, confidence in ourselves, confidence in our future "beyond the dawn".

Ladies and gentlemen, with your continued support and encouragement we will reach our goal of a profitable operation with sales of \$100,000,000 by the middle of the decade.